

Mr. Brewster  
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Dear Sirs:

This is letter No. P. I. 31.

In accordance with the request contained in your cable No. 45, there is enclosed a copy of the Bretton Woods Agreements Act, with certain changes which we suggest in order to conform to the Philippine situation. We are, in addition, indicating certain other changes which may be necessary or desired by the Philippine Commonwealth Government.

Our suggestions are as follows:

- Title - Substitute appropriate title for Philippine legislation.
- Descriptive Heading - Substitute "Commonwealth of the Philippines" for "United States".
- Preamble - Substitute "Commonwealth of the Philippines" for "United States of America".
- Section 2 - Substitute "Commonwealth of the Philippines" for "United States". Add "of the United States" at the end of the Section.
- Section 3(a) - We have not determined whether appointments made by the President require the advice and consent of the Senate in the Philippines. If they do not, the first line of this subsection should be changed.
- (b) - Same comment as for Section 3(a).
- (c) - Substitute "Commonwealth of the Philippines" for "United States".

Section 4 - Omit in its entirety.

Section 5 - The limitations imposed by Congress in Section 5 on the Executive Branch do not appear to be necessary in the case of the Philippines. However, the Commonwealth may wish to include one or more of these limitations. As the section now stands, "Commonwealth of the Philippines" should be substituted for "United States" in lines 2, 3, and 4 and line 14. Also, "Philippine peso" should be substituted for "United States dollar" in line 5.

Section 6 - Substitute the following for the present section:  
"Sec. 6. The Philippine National Bank shall act as depository or as fiscal agent of the Fund and the Bank".

Section 7 - Omit in its entirety.

Section 8(a)- Substitute "Commonwealth of the Philippines" for "United States".

(b)- Some change in this subsection may be necessary to conform to the Philippine Judicial system.

(c)- Substitute "F10,000" for "\$5,000".

Section 9 - Omit in its entirety.

Section 10 - Omit in its entirety.

Section 11 - Substitute "Commonwealth of the Philippines" for "United States and its territories and possessions" and for "United States".

Section 12 - Omit in its entirety.

Section 13 - Omit in its entirety.

Section 14 - Omit in its entirety.

In connection with financing the Philippine subscriptions, it is suggested that you prepare a draft provision since we do not have full information about the method of financing such subscriptions which the Commonwealth Government would find most convenient. Of the \$15,000,000 which the Philippine Government must pay to the Fund,

\$3,750,000 must be paid in gold and the balance must be paid in pesos by depositing them in the Philippine National Bank in an account opened for the Fund. When the Philippine Government signs the Fund Agreement it must pay \$1,500 in gold or U. S. dollars which will be credited against the \$3,750,000 required to be paid in gold.

With respect to the Bank, \$1,500 in gold or U. S. dollars must be paid at the time of signature. During the first year of the Bank's operations, the Philippine Government must pay the equivalent of \$1,200,000 in pesos by depositing them in the Philippine National Bank in an account opened for the Bank. In addition, it must pay \$300,000 in gold or U. S. dollars (less the \$1,500 paid at the time of signature) within 60 days after the Bank begins to operate, but since the Philippines have been occupied by the enemy the payment of \$75,000 of the amount due in gold can be postponed for five years. In addition, the Bank has the right to call for payment in pesos the equivalent of \$1,500,000 additional but cannot call more than \$750,000 in any three month period. The remaining \$12,000,000 of the Philippine subscription may be called by the Bank only for the purpose of meeting the Bank's obligations, and when calls are made payment may be made, at the option of the Philippine Government, in gold, U. S. dollars or the currency required to discharge the obligations of the Bank.

In the event that the Philippine Government is contemplating a borrowing program to finance government expenditures, it is suggested that a section be added to the Bretton Woods legislation as follows:

"The Insular Treasurer is hereby authorized to issue special notes of the Commonwealth of the Philippines from time to time at par and to deliver such notes to the Fund and the Bank in exchange for pesos to the extent permitted by the respective Articles of Agreement. The special notes shall bear no interest, shall be non-negotiable, and shall be payable on demand of the Fund or the Bank, as the case may be. The face amount of such notes issued to the Fund and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the Commonwealth of the Philippines actually paid to the Fund, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount

of the subscription of the Philippine Commonwealth actually paid to the Bank under Article II, Section 7(1) of the Articles of Agreement of the Bank".

Very truly yours,

Michael L. Hoffman  
Acting Director

I. G. Alk, Esq.,  
United States Treasury Representative  
Manila, P. I.